



Lands Improvement Holdings plc

Financial Statements
2008



Financial Statements 2008

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Directors, Secretary and Advisers

Company Registration number

1257600

Directors

Nigel G Allan	Henry L Richards
James M Brady	Michael J Deakin
Duncan R Jenkins	Charles J H Hunter

Secretary & Registered Office

James M Brady CA
1 Buckingham Place, London SW1E 6HR

Auditors

KPMG Audit Plc
One Canada Square, London E14 5AG

Solicitors

Payne Hicks Beach
10 New Square, Lincoln's Inn, London WC2A 3QG

IBB Solicitors
Capital Court, 30 Windsor Street, Uxbridge UB8 1AB

Gillespie Macandrew WS
5 Atholl Crescent, Edinburgh EH3 8EJ

Property Valuers

Savills (L&P) Limited
20 Grosvenor Hill, London W1X 0HQ

DTZ Debenham Tie Leung
One Curzon Street, London W1A 5PZ

Managing Agents

RH & RW Clutton
92 High Street, East Grinstead, West Sussex RH19 3DF

Donalds
East Tannacrieff, Fenwick, Ayrshire, KA3 6AX

Savills (L&P) Limited
24 Hills Road, Cambridge CB2 1JW

Principal Bankers

National Westminster Bank Plc
208 Piccadilly, London W1A 2DG

Directors' Report

The Directors present their report and the Group financial statements for the year ended 31 December 2008.

Principal activities

The principal activities of the Company and its subsidiaries ("the Group") during the year under review consisted of property investment and the provision of serviced residential and commercial development land.

Business review and future developments

For the year ended 31 December the Group's net asset value decreased by £4.2 million, 3.8%, which we consider to be a good outcome in one of the worst ever years for property companies and the economy in general. Several key features of our business have helped shelter us from the full effect of the substantial fall in commercial and residential property assets. Our investment properties, which were written down by approximately 15%, are a mix of business parks, strategic and agricultural land and although our business parks were devalued in line with the general commercial property market our other assets suffered a smaller write down and in some instances a gain to reflect progress in the planning process. The other important feature is our substantial cash reserves and this lack of gearing at the start of the downturn has served us well in the falling market where heavily geared companies have seen their net worth disappear extremely quickly due to the effect of gearing on their property.

During the year the Group's gross rental income increased by approximately 6% which was a result of new or improved leases which were secured during 2007 and 2008. Unfortunately at a net level this improvement has not been mirrored as our net property income decreased by just over 6% mainly due to the Government decision to extend the scope of charging rates on empty commercial space from 1 April which had an effect on our property return.

We completed a number of small disposals of development land from our investment portfolio, notably at Haddenham, Swaffham and Kilmarnock but the majority of cash generated from property disposals was in relation to deferred consideration from prior year sales.

As mentioned previously the Group has an extremely strong cash position with cash at the year end of over £45 million and no external debt. This cash will not only provide ample funds to progress any development on our current properties but will also give us the ability to acquire further urban fringe and brownfield land when relevant opportunities arise. During the year we acquired three sites at Bristol, Kilmarnock and Worksop and we have been actively looking at numerous other opportunities. Despite the general malaise in the UK property sector we have found that competition for sites, which we have been interested in, has been strong and we still believe that the prices being offered are too high to make these sites viable as long term development projects. We believe that 2009 will produce some interesting opportunities in what will become an increasingly difficult year for the property sector. During 2008 our cash surpluses contributed over £2 million before tax to the Group's performance but with interest rates falling the return in 2009 will be substantially less.

In the current market the Group is fortunate to have only one fully serviced residential site which in normal times we would be actively marketing with a view to a sale. We are currently reviewing various options for this site in order to make it more attractive to



Directors' Report

Continued

residential builders. Although 2009 will be an extremely difficult year, with the UK economy in recession and a general lack of activity in the UK housing market as a result of the very restricted availability of mortgage finance, we believe that with our cash resources and the mix of our property portfolio the Group is in an excellent position to acquire strategic and urban fringe land on attractive terms and to build on strong foundations for future growth.

Key performance indicators

The Group's principal financial objective is consistent growth in net asset value ("NAV") in the medium term. The Directors have established a target rate of increase in after tax NAV over a five year period, and performance is measured against this target rate. Despite the current year reduction we believe that in the medium term we are in a strong position to achieve our objective.

In order to achieve NAV growth in the medium to long term, the Group must acquire land for new projects, and have the human and financial resources available to develop the sites acquired. The Directors aim to maintain the value of the Group's land bank at an appropriate level in the medium term, and a key indicator is the level of available cash and credit resources available. The Directors continually review the Group's cash position and forecast cash flows.

Review of risks

The major external risks are

- **Property market risk**
During 2008 the residential property market has been severely affected by the very limited availability of mortgage credit and a general lack of confidence in the UK economy. This has been particularly damaging to the 'new build' market to the extent that housebuilders have substantially reduced the rate of housebuilding and their acquisition of serviced development land. However, in the medium term, the shortage of land with planning consent should enable the value of the Group's existing development properties to recover when stability and confidence returns to the UK housing market. The commercial property market suffered a significant reduction in value during 2008 and early indications are that in certain sections of the market further reductions will be experienced during 2009.
- **Taxation**
The Government decided not to implement legislation on the Planning Gain Supplement but in its place has decided to empower local planning authorities in England to apply new planning charges to new developments (the Community Infrastructure Levy) alongside negotiated contributions on site-specific matters through existing section 106 planning agreements. We believe this is a more workable solution which can secure support from both local authorities and developers.
From April 1st the Government extended the scope of charging rates on empty commercial space and this is a serious and unhelpful extra burden upon the finances of the property sector. This additional form of taxation will strongly discourage construction of new commercial premises unless an occupier is committed to the building.

Directors' Report

Continued

Review of risks (continued)

- **Planning**
The complexity of the planning process constitutes a major barrier to development, particularly of comprehensive schemes. Local and national planning departments were under huge pressure of work, and legal challenges to decisions have become more frequent. Delays and increased costs are an inevitable consequence of this systemic failure. The recession has meant a reduction in the number of planning applications and this should help to speed up the process over the next few years.

Results and dividends

The Group's loss after taxation for the year was £4,395,000 (2007 - profit £17,249,000). No dividends have been paid or proposed (2007 - *£Nil*).

Investment properties and property, plant and equipment

The movements in Investment properties and property, plant and equipment during the year are summarised in Notes 11 and 12 to the financial statements. The Group's investment properties were valued by independent external valuers, DTZ Debenham Tie Leung and Savills, Chartered Surveyors, as at 31 December 2008, and the results of the valuations are included in the financial statements.

Donations

There were no donations to charities made by the Group during the year (2007 - £1,750). No donations for political purposes were made during either year.

Payment of creditors

The Company makes every effort to settle supplier accounts in accordance with the terms of business agreed with each supplier. This normally involves payment within 30 days of receipt of valid invoices. The Company's trade creditor days at 31 December 2008 amounted to 6 days (2007 - 13 days).

Financial instrument risk

The Group has interest bearing borrowings, which are set out in note 20 to the financial statements. These carry interest at fixed rates with the exception of the overdraft facility which carries interest at a fixed margin over the prevailing base rate.



Lands Improvement
Holdings plc

Directors' Report

Continued

Directors

During 2008 the Directors of the Company were as follows

M J Deakin

H L Richards

N G Allan

J M Brady

C J H Hunter

D R Jenkins

In accordance with the Articles of Association, the Directors retiring by rotation are Mr. M J Deakin and Mr. C J H Hunter and, being eligible, will offer themselves for reappointment at the Annual General Meeting.

Disclosure of information to the Auditors

The Directors who held office at the date of approval of this Directors Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint KPMG Audit Plc as auditors will be proposed at the Annual General Meeting.

Approval

The report of the Directors was approved by the Board on 31 March 2009, and signed on its behalf by:

J M Brady

Secretary



Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and a Business Review.

Report of the independent auditors to the members of Lands Improvement Holdings plc

We have audited the group and parent company financial statements (the "financial statements") of Lands Improvement Holdings plc for the year ended 31 December 2008, which comprise the Group Income Statement, the Group and parent company Statements of Recognised Income and Expense, the Group and parent company Balance Sheets, the Group and parent company Statements of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of Lands Improvement Holdings plc

Continued

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 March 2009

Group Income Statement

For the year ended 31 December 2008

	Notes	2008	2007
		£000	£000
Gross rental income	3	1,649	1,547
Other property related income	4	235	208
Property operating expenses	5	(640)	(428)
Net rental and property related income		<u>1,244</u>	<u>1,327</u>
Profit on disposal of investment property		<u>968</u>	<u>480</u>
Valuation gains on investment property		299	10,661
Valuation losses on investment property		(8,802)	(669)
Overage provisions		(178)	322
Net valuation (losses)/gains on investment property		<u>(8,681)</u>	<u>10,314</u>
Proceeds of sales of trading properties		-	31,098
Carrying value of trading properties sold		380	(19,807)
Net income from trading properties		<u>380</u>	<u>11,291</u>
Share of (losses)/profits of joint ventures after tax	13	<u>(455)</u>	<u>255</u>
Administrative expenses	6	<u>(1,083)</u>	<u>(2,985)</u>
Operating (loss)/profit before net financing costs		<u>(7,627)</u>	<u>20,682</u>
Finance income	8	2,846	2,871
Finance expense	8	(14)	(12)
Net financing income		<u>2,832</u>	<u>2,859</u>
(Loss)/profit before tax		<u>(4,795)</u>	<u>23,541</u>
Income tax credit/(expense)	9	400	(6,352)
(Loss)/profit for the year from continuing operations		<u>(4,395)</u>	<u>17,189</u>
Profit for the year from discontinued operations after tax	1(g),10	<u>-</u>	<u>60</u>
(Loss)/profit for the year attributable to equity shareholders		<u><u>(4,395)</u></u>	<u><u>17,249</u></u>

Statements of Recognised Income & Expense

For the year ended 31 December 2008

Group statement of recognised income and expense

Notes	2008 £000	2007 £000
Valuation gain on property option	250	-
Deferred taxation on option gain	(70)	-
Net profit recognised directly in equity	180	-
(Loss)/profit for the year attributable to shareholders	(4,395)	17,249
Total recognised income and expense for the year	(4,215)	17,249

Company statement of recognised income and expense

	2008 £000	2007 £000
Profit/(loss) for the year attributable to shareholders	25,919	(887)
Total recognised income and expense for the year	25,919	(887)

Group Balance Sheet

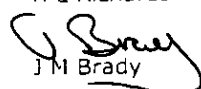
At 31 December 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Investment properties	11	46,600	49,668
Property, plant and equipment	12	64	71
Investment in joint ventures	13	12,717	13,176
Other investments	15	1,300	1,050
Total non-current assets		60,681	63,965
Current assets			
Trading properties		5,996	3,185
Trade & other receivables	17	1,394	35,111
Cash and cash equivalents	18	45,628	34,169
Total current assets		53,018	72,465
Total assets		113,699	136,430
LIABILITIES			
Current liabilities			
Trade and other payables	19	1,910	16,359
Interest bearing loans and borrowings	20	7	33
Current tax		263	2,613
Total current liabilities		2,180	19,005
Non-current liabilities			
Interest bearing loans and borrowings	20	14	22
Deferred tax	16	1,824	3,126
Provisions	21	3,005	3,386
Other payables		200	200
Total non-current liabilities		5,043	6,734
Total liabilities		7,223	25,739
Net assets		106,476	110,691
EQUITY			
Capital and reserves			
Issued share capital	22	26,325	26,325
Share premium	22	164	164
Retained earnings	22	79,987	84,202
Total equity		106,476	110,691

The financial statements were approved by the Board of Directors on 31 March 2009, and signed on its behalf by:



H L Richards



J M Brady

Company Balance Sheet

At 31 December 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Plant and equipment	12	64	71
Investment in joint ventures	14	12,717	13,176
Investment in subsidiaries	28	18,681	26,681
Deferred tax asset	16	686	845
Total non-current assets		<u>32,148</u>	<u>40,773</u>
Current assets			
Current tax		675	1,957
Trade and other receivables	17	323	208
Cash and cash equivalents	18	56,396	34,169
Total current assets		<u>57,394</u>	<u>36,334</u>
Total assets		<u>89,542</u>	<u>77,107</u>
LIABILITIES			
Current liabilities			
Trade and other payables	19	478	544
Interest bearing loans and borrowings	20	7	12,857
Due to subsidiaries		107	108
Total current liabilities		<u>592</u>	<u>13,509</u>
Non-current liabilities			
Interest bearing loans and borrowings	20	14	22
Provisions	21	2,452	3,011
Total non-current liabilities		<u>2,466</u>	<u>3,033</u>
Total liabilities		<u>3,058</u>	<u>16,542</u>
Net assets		<u>86,484</u>	<u>60,565</u>
EQUITY			
Capital and reserves			
Issued share capital	22	26,325	26,325
Share premium	22	164	164
Retained earnings	22	59,995	34,076
Total equity		<u>86,484</u>	<u>60,565</u>

The financial statements were approved by the Board of Directors on 31 March 2009, and signed on its behalf by:

H.L. Richards

H L Richards

J M Brady
J M Brady

Group Statement of Cash Flows

For the year ended 31 December 2008

	2008 £000	2007 £000
Cash flow from operating activities		
(Loss)/profit for the year	(4,395)	17,249
Adjustments for:		
Depreciation	23	40
Change in value of investment property	8,681	(10,314)
Profit on sale of investment property	(968)	(480)
Share of losses/(profits) of joint ventures after tax	455	(255)
Finance income	(2,846)	(2,191)
Finance expense	14	12
Taxation (credit)/expense	(400)	6,352
Profit from discontinued operations after tax	-	(60)
Changes in working capital		
(Increase)/decrease in trading properties	(2,793)	798
Decrease/(increase) in trade and other receivables	27,781	(28,047)
(Decrease)/increase in trade and other payables	(15,014)	16,357
Cash generated from operations	10,538	(539)
Cash flow from discontinued operations (note 10)	-	10,357
Interest paid	(14)	(12)
Tax paid	(3,141)	(4,315)
Net cash flow from operating activities	7,383	5,491
Cash flow from investing activities		
Purchase and development of investment properties	(7,412)	(1,808)
Sales of investment properties	9,639	6,306
Purchase of property, plant and equipment	(36)	(8)
Sale of property, plant and equipment	20	-
Interest received	2,077	2,089
Repayments by borrowers	-	77
Net cash flow from joint ventures	(177)	(595)
Net cash flow from investing activities	4,111	6,061
Cash flow from financing activities		
Capital element of finance leases	(8)	(5)
Net cash flow from financing activities	(8)	(5)
Net increase in cash and cash equivalents	11,486	11,547
Cash and cash equivalents at 1 January	34,142	22,595
Cash and cash equivalents at 31 December (note 18)	45,628	34,142

Company Statement of Cash Flows

For the year ended 31 December 2008

	2008 £000	2007 £000
Cash flow from operating activities		
Profit/(loss) for the year	25,917	(887)
Adjustments for:		
Depreciation	23	40
Adjustment of provision for impairment	(559)	1,328
Share of profits of joint ventures after tax	455	-
Dividends from subsidiaries	(25,898)	-
Finance income	(2,186)	(1,775)
Finance expense	522	425
Taxation expense/(credit)	198	(323)
Changes in working capital		
Decrease in trade and other receivables	16	34
(Increase)/decrease in trade and other payables	(66)	107
Cash generated from operations	(1,578)	(1,051)
Interest paid	(522)	(425)
Tax received/(paid)	1,424	(788)
Net cash flow from operating activities	(676)	(2,264)
Cash flow from investing activities		
Purchase of property, plant and equipment	(36)	(8)
Sale of property, plant and equipment	20	-
Interest received	2,057	1,674
Dividends received from subsidiaries	25,898	-
Borrowing by subsidiaries	8,000	85
Joint ventures	(177)	(850)
Net cash flow from investing activities	35,762	901
Cash flow from financing activities		
Capital element of finance leases	(8)	(5)
Net cash flow from financing activities	(8)	(5)
Net increase/(decrease) in cash and cash equivalents	35,078	(1,368)
Cash and cash equivalents at 1 January	21,318	22,686
Cash and cash equivalents at 31 December (note 18)	56,396	21,318

Notes to the Financial Statements

For the year ended 31 December 2008

Lands Improvement Holdings plc ("the Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

1. Significant accounting policies

(a) Statement of compliance

The financial statements of the parent company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations as endorsed by the European Union and effective at 31 December 2008. No standards published by the International Accounting Standards Board, but not yet adopted by the European Union at 31 December 2008 have been applied in anticipation. No significant impact is expected from the future application of these standards. In publishing the parent company financial statements together with the Group financial statements, the Company is taking advantage of the exemption in s.230 of the Companies Act 1985 allowing it not to present an individual income statement and related notes.

The financial statements were approved by the Directors on 31 March 2009.

(b) Basis of preparation

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value:

- investment properties
- operating properties
- other investments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effects on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(c) Basis of consolidation

i) Subsidiaries

Subsidiaries are those entities, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis.

In the parent company accounts the investment in joint ventures is carried at cost.

iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Investment property

Investment properties are those held either to earn income or for capital appreciation or both, and are stated at fair value. An external independent valuation company, having an appropriate professional qualification and recent experience in the location and category of property being valued, values the property every year. The fair values are based on market values, being the estimated amount for which the property could be exchanged, on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any loss or gain arising from a change in fair value is recognised in the income statement.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property measured at fair value, and is not reclassified as property plant and equipment during the redevelopment.

(e) Property, plant and equipment

i) Owned assets

Plant and equipment held as operating assets by the Group are stated at cost less accumulated depreciation (see below) and impairment losses. Plant and equipment is assessed for impairment annually. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect its revised carrying amount.

ii) Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in accounting policy (q).

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group, and the cost of the item can be measured reliably. All other costs are recognised in the income statement.

iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

- buildings 40 years
- plant and equipment 3 – 10 years

Assets held under finance leases which do not transfer title to the assets to the Group at the end of the lease are depreciated over the shorter of the estimated lives above and the term of the lease.

(f) Options over land

An option over land is a right to acquire land at some future period, at an agreed value, in return for a payment to the landowner on granting of the option. These options are stated at fair value which is determined by an external independent valuation company, having an appropriate professional qualification and recent experience in the location and category of property to which the option relates. Any loss or gain arising from a change in fair value is recognised in the income statement.

(g) Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement. In accordance with IFRS 5, the above policy is effective from the start of the current period; no reclassifications are made in prior periods.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(g) Non-current assets held for sale and discontinued operations

The profits after tax of discontinued operations are shown as a separate item in the Group income statement. The comparative figures in the Group income statement and the Group statement of cash flows have been adjusted to reflect the treatment of this item.

(h) Trading properties

Trading properties are stated at the lower of cost or net realisable value.

(i) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and other short term highly liquid bank deposits with original maturities of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(l) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the future cash flows at a pre-tax rate that reflects current assessments of the time value of money, and where appropriate the risks specific to the liability.

(n) Employee benefits

i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

(o) Trade and other payables

Trade and other payables are stated at cost.

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(p) Revenue

i) Rental income

Rental income from property let under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income.

ii) Sales of properties

Revenue from the sale of properties is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, on the exchange of unconditional contracts for sale.

iii) Government grants

Government grants to the Group's farming business are recognised in the income statement in the period for which the grants are receivable. Government grants for infrastructure works on development sites are deducted from the cost of the development in the period in which they become receivable.

(q) Expenses

i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and dividend income.

Interest income is recognised in the income statement as it accrues, using the effective interest rate method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(r) Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for tax in respect of all temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be used.

(s) Segment reporting

The Group reports financial results for two separately identifiable business segments: investment property and trading property. The risks and rewards of these two businesses are significantly different.

There is no geographical analysis, as all the Group's operations are within the United Kingdom.



Financial Statements

for the year ended 31 December 2008

2. Segment reporting

Income Statement	Investment property		Trading property		Farming(discontinued)		Consolidated (including discontinued)		Farming(discontinued)		Consolidated (continuing operations)	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Income												
Rental income	1,649	1,487		60			1,649	1,547			1,649	1,547
Other property related income	235	208					235	208			235	208
Profit on disposal of investment property	968	480					968	480			968	480
Valuation (losses)/gains	(8,681)	10,314					(8,681)	10,314			(8,681)	10,314
Proceeds from disposal of trading property			380	31,098			380	31,098			380	31,098
Income from farming operations							0	804				
Share of (losses)/profit from joint ventures after							(455)	255			(455)	255
Unallocated interest income												
Total (expense)/income	(5,829)	12,489	(75)	31,413	-	804	(5,904)	46,897	-	(804)	(5,904)	46,093
Segment result	(6,469)	12,074	(75)	11,593	-	60	(6,544)	23,727	-	(60)	(6,544)	23,667
Unallocated administration expenses							(1,083)	(2,985)			(1,083)	(2,985)
Net financing income							2,832	2,859			2,832	2,859
Income tax credit/(expense)							400	(6,352)			400	(6,352)
Profit for the year	(4,395)	17,249	-	-	-	(60)	(4,395)	17,189	-	(60)	(4,395)	17,189
Other information												
Segment depreciation						88		88				
Unallocated depreciation							23	40			23	40
Total depreciation	-	-	-	-	-	88	23	128	-	(88)	23	40
Segment capital expenditure	7,457	1,202	2,659	7,685			10,116	8,887			10,116	8,255
Unallocated capital expenditure							36	60			36	60
Total capital expenditure	7,457	1,202	2,659	7,685	-	-	10,152	8,947	-	(632)	10,152	8,315

Notes to the Financial Statements

for the year ended 31 December 2008

2. Segment reporting (continued)

Net assets employed

	Investment property		Trading property		Consolidated (continuing operations)	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Segment assets	48,971	58,194	18,713	30,625	67,684	88,819
Investment in joint ventures	-	-	-	13,176	-	13,176
Total carrying amount of segment assets	48,971	58,194	18,713	43,801	67,684	101,995
Cash and cash equivalents	-	-	-	-	45,628	34,169
Unallocated assets	-	-	-	-	387	273
Total assets	48,971	58,194	18,713	43,801	113,699	136,437
Segment liabilities	(1,438)	(1,318)	(658)	(15,000)	(2,096)	(16,318)
Group borrowings	-	-	-	-	(21)	(55)
Taxation provided	-	-	-	-	(2,087)	(5,739)
Unallocated liabilities	-	-	-	-	(3,019)	(3,634)
Total liabilities	(1,438)	(1,318)	(658)	(15,000)	(7,223)	(25,746)
Segment equity	47,533	56,876	18,055	28,801		
Total equity					106,476	110,691

Notes to the Financial Statements

for the year ended 31 December 2008

3. Gross rental income

	2008	2007
	£'000	£'000
Gross rental income from investment properties	1,649	1,478
Amortisation of capitalised lease incentives	-	9
Gross rental income from trading properties	-	60
	<u>1,649</u>	<u>1,547</u>

The group leases out certain of its properties under operating leases. All operating leases are for original terms of 3 years or more. There were no contingent rents included in rental income in 2008 (2007 - None).

4. Other property related income

	2008	2007
	£'000	£'000
Service charges	165	106
Other income	70	102
	<u>235</u>	<u>208</u>

5. Property operating expenses

There were no investment properties which did not generate rental income in the period (2007 - None). Consequently no disclosure of costs relating to service charge income is required.

6. Administrative expenses

	2008	2007
	£'000	£'000
Depreciation	23	40
Operating lease rentals - land and buildings	80	68
Audit fees	33	36
Personnel expenses (note 7)	630	2,451
Other administrative expenses	317	390
	<u>1,083</u>	<u>2,985</u>

The company audit fee was £12,000 (2007 - £6,750). No fees for non-audit work were paid to the auditors during the current or prior year.

Notes to the Financial Statements

for the year ended 31 December 2008

7. Employee benefits and numbers	2008	2007
	£'000	£'000
Employee benefits:		
Wages and salaries	702	965
Provision for long term incentive plans	(311)	1,328
Social security contributions	120	95
Contributions to defined contribution pension plans	119	63
Total employee benefit expense	<u>630</u>	<u>2,451</u>
Average monthly number of employees including Directors	Number	Number
Property and holding company	11	12
Farming (discontinued in 2007)	-	7
	<u>11</u>	<u>19</u>
8. Net financing income	2008	2007
	£'000	£'000
Finance income		
Interest receivable	2,846	2,871
Finance expenses		
Interest payable	<u>(14)</u>	<u>(12)</u>
Net financing income	<u>2,832</u>	<u>2,859</u>

Notes to the Financial Statements

for the year ended 31 December 2008

9. Income tax expense

	2008	2007
	£'000	£'000
Recognised in group income statement		
Current tax expense		
Current year	972	5,327
Adjustments for prior years	-	73
	<u>972</u>	<u>5,400</u>
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(1,372)	952
	<u>(1,372)</u>	<u>952</u>
Total income tax (credit)/expense in group income statement	<u>(400)</u>	<u>6,352</u>

	2008	2007
	£'000	£'000
Reconciliation of effective tax rate		
(Loss)/profit before tax	(4,795)	23,541
Less: share of losses/(profits) of joint ventures after tax	455	(255)
	<u>(4,340)</u>	<u>23,286</u>

	2008	2008	2007	2007
	%	£'000	%	£'000
Income tax using the Corporation Tax rate	28.50	(1,237)	30.00	6,986
Non-deductible expenses	(0.16)	7	0.00	1
Tax deductions not in income statement	(15.60)	(71)	-	-
Capital allowances on assets not depreciated	0.23	(10)	(0.02)	(5)
Indexation of capital gains and net valuation gains on investment property	(21.66)	940	(2.70)	(628)
Tax losses utilised	0.67	(29)	(0.32)	(75)
Adjustments for prior years	-	-	0.31	73
	<u>(8.03)</u>	<u>(400)</u>	<u>27.28</u>	<u>6,352</u>

Notes to the Financial Statements

for the year ended 31 December 2008

10. Discontinued operation and assets held for sale

During 2007 the Group sold the business and all the assets of its farming business segment.

Results of discontinued operation	2007 £'000
Revenue from farming operations	804
Expenses of farming operations	(1,226)
Results from operating activities	(422)
Gain on sale of property	2,673
Cost of pension buy out	(3,011)
Income tax credit/(expense)	820
	<u>60</u>
 Cash flows from discontinued operation	 2007 £'000
Net cash from operating activities	(1,572)
Net cash from investing activities	11,929
	<u>10,357</u>



Notes to the Financial Statements

for the year ended 31 December 2008

11. Investment properties

	Freehold properties
	£'000
Balance at 1 January 2007	36,166
Additions	939
Disposals	(181)
Transfer from trading properties	3,802
Transfer to other investments	(1,050)
Fair value adjustments	10,001
Adjustment for lease incentives	(9)
Balance at 31 December 2007	<u>49,668</u>
Balance at 1 January 2008	49,668
Additions	7,414
Disposals	(1,997)
Fair value adjustments	(8,503)
Adjustment for lease incentives	18
Balance at 31 December 2008	<u>46,600</u>

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

As part of the external valuation process an option to purchase land was valued and included in the fair value determined by the independent appraiser. This value has been separately identified and transferred to other investments.

Investment property comprises a number of commercial, agricultural and industrial properties that are leased to third parties. The majority of the leases contain an initial non-cancellable period of 5 years. Subsequent renewals are negotiated with the lessee. The remaining leases are short term tenancies on land held for potential long term development.

A number of the investment properties are subject to overage agreements with vendors of the properties. Under these agreements a proportion of the gain on eventual sale of the relevant assets is payable to the vendor. The Group makes a provision for the estimated overage payable if the assets were sold at their carrying value at the year end. The amount of this provision, which was included in long term provisions at the balance sheet date was £553,000 (2007 - £375,000), see Note 21.



Notes to the Financial Statements

for the year ended 31 December 2008

12. Property plant and equipment

Group and Company

Cost or valuation

Plant and equipment £'000

Balance at 1 January 2007

211

Additions

8

Balance at 31 December 2007

219

Balance at 1 January 2008

219

Additions

36

Disposals

(105)

Balance at 31 December 2008

150

Depreciation and impairment losses

Balance at 1 January 2007

108

Charge for the year

40

Balance at 31 December 2007

148

Balance at 1 January 2008

148

Charge for the year

23

Disposals

(85)

Balance at 31 December 2008

86

Carrying amounts

At 1 January 2007

103

At 31 December 2007

71

At 1 January 2008

71

At 31 December 2008

64

Notes to the Financial Statements

for the year ended 31 December 2008

13. Investment in joint ventures - Group

The Group owns a 50% share in two jointly-controlled entities which own development land at Arbury Park near Cambridge, and at Poole, Dorset. The results and net assets of these joint ventures are as follows.

Year to 31 December	Arbury 2008 £'000	Arbury 2007 £'000	Poole 2008 £'000	Poole 2007 £'000	Total 2008 £'000	Total 2007 £'000
Income	-	1,900	-	-	-	1,900
Expenses	(1,272)	(1,170)	-	-	(1,272)	(1,170)
(Loss)/profit before taxation	(1,272)	730	-	-	(1,272)	730
Taxation	362	(220)	-	-	362	(220)
(Loss)/profit after taxation	(910)	510	-	-	(910)	510
Group share of (loss)/profit after taxation	(455)	255	-	-	(455)	255
At 31 December	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current assets	3,027	4,344	22,824	22,570	25,851	26,914
Current liabilities	(417)	(562)	-	-	(417)	(562)
Net assets	2,610	3,782	22,824	22,570	25,434	26,352
Group share of net assets	1,305	1,891	11,412	11,285	12,717	13,176

14. Investment in joint ventures - Company

The Company owns a 50% share in jointly controlled entities at Arbury Park near Cambridge, and at Poole, Dorset.

	Arbury £'000	Poole £'000	Total £'000
Year ended 31 December 2007			
Cost at 1 January 2007	1,226	11,100	12,326
Additions during year	1,275	185	1,460
Disposals during year	(610)	-	(610)
Cost at 31 December 2007	1,891	11,285	13,176
Year ended 31 December 2008			
Cost at 1 January 2008	1,891	11,285	13,176
Additions during year	50	127	177
Provision against investment	(636)	-	(636)
Cost at 31 December 2008	1,305	11,412	12,717

15. Other investments

Non current investments

Option over land

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Option over land	1,300	1,050	-	-

Notes to the Financial Statements

for the year ended 31 December 2008

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities - Group

Deferred tax assets and liabilities are attributable to the following items

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000
Investment property revaluations	-	-	(2,446)	(3,866)	(2,446)	(3,866)
Overage provisions	137	90	-	-	137	90
Capital allowances	-	-	(201)	(193)	(201)	(193)
Long term incentive plans	686	843	-	-	686	843
Tax assets and liabilities	823	933	(2,647)	(4,059)	(1,824)	(3,126)
Set off of tax	(823)	(933)	823	933	-	-
Net deferred tax liabilities	-	-	(1,824)	(3,126)	(1,824)	(3,126)

Group unrecognised deferred tax asset

A subsidiary company has brought forward tax losses amounting to £592,000 at 31 December 2008 (2007 - £691,000). No deferred tax asset has been recognised in respect of these losses, due to the unpredictability of future taxable profits in this subsidiary.

Movements in temporary differences during the year

	Balance at 1 Jan 2007	Recognised in income	Recognised in equity	Balance at 31 Dec 2007
	£'000	£'000	£'000	£'000
Investment property revaluations	(2,850)	(1,016)	-	(3,866)
Overage provisions	468	(378)	-	90
Pension fund surplus	(16)	16	-	-
Capital allowances	(236)	43	-	(193)
Rolled over capital gains	(45)	45	-	-
Long term incentive plans	505	338	-	843
Net change in deferred tax liabilities	(2,174)	(952)	-	(3,126)

	Balance at 1 Jan 2008	Recognised in income	Recognised in equity	Balance at 31 Dec 2008
	£'000	£'000	£'000	£'000
Investment property revaluations	(3,866)	1,490	(70)	(2,446)
Overage provisions	90	47	0	137
Capital allowances	(193)	(9)	0	(202)
Long term incentive plans	843	(156)	0	687
Net change in deferred tax (liabilities)/assets	(3,126)	1,372	(70)	(1,824)

Notes to the Financial Statements

for the year ended 31 December 2008

16. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities - Company

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000
Capital allowances		2	(1)	-	(1)	2
Long term incentive plans	687	843	-	-	687	843
Net tax assets	687	845	(1)	-	686	845

Movements in temporary differences during the year

	Balance at 1 Jan 2007	Recognised in income	Balance at 31 Dec 2007
	£'000	£'000	£'000
Capital allowances	(5)	7	2
Long term incentive plans	505	338	843
	500	345	845

	Balance at 1 Jan 2008	Recognised in income	Balance at 31 Dec 2008
	£'000	£'000	£'000
Capital allowances	2	(3)	(1)
Long term incentive plans	843	(156)	687
	845	(159)	686

17. Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Capitalised lease incentives	-	17	-	-
Trade receivables	314	6,753	8	-
Prepayments and accrued income	319	587	315	201
Other receivables	761	27,754	-	7
	1,394	35,111	323	208

18. Cash and cash equivalents

Bank balances	228	9	10,996	9
Short term deposits	45,400	34,160	45,400	34,160
Cash and cash equivalents	45,628	34,169	56,396	34,169
Bank overdrafts	-	(27)	-	(12,851)
Cash and cash equivalents in the statement of cash flow	45,628	34,142	56,396	21,318

Notes on the Accounts

for the year ended 31 December 2008

19. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade payables	293	415	24	71
Other tax and social security	203	110	203	110
Other payables	-	39	-	-
Accruals and deferred income	1,414	15,795	251	363
	<u>1,910</u>	<u>16,359</u>	<u>478</u>	<u>544</u>

20. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current liabilities				
Bank overdrafts	-	27	-	12,851
Finance leases	7	6	7	6
	<u>7</u>	<u>33</u>	<u>7</u>	<u>12,857</u>
Non-current liabilities				
Finance leases	14	22	14	22
	<u>14</u>	<u>22</u>	<u>14</u>	<u>22</u>

Notes to the Financial Statements

for the year ended 31 December 2008

20. Interest bearing loans and borrowings (continued)

Finance lease liabilities - Group and Company

Finance lease liabilities are payable as follows:

	Minimum payments 2008 £'000	Interest 2008 £'000	Principal 2008 £'000	Minimum payments 2007 £'000	Interest 2007 £'000	Principal 2007 £'000
Less than 1 year	9	2	7	9	3	6
Between 1 and 5 years	15	1	14	24	3	22
	24	3	21	33	6	28

21. Provisions

	Long term incentive plans £'000	Group Overage payments on revaluation £'000	Total £'000	Company Long term incentive plans £'000
Year ended 31 December 2007				
Balance at 1 January 2007	1,683	1,566	3,249	1,683
Provisions made during the year	1,328	(322)	1,006	1,328
Provisions utilised during the year	-	(869)	(869)	-
Balance at 31 December 2007	3,011	375	3,386	3,011
Year ended 31 December 2008				
Balance at 1 January 2008	3,011	375	3,386	3,011
Provision (released)/made during the year	(311)	178	(133)	(311)
Payments made during year	(248)	-	(248)	(248)
Balance at 31 December 2008	2,452	553	3,005	2,452

22. Capital and reserves

Reconciliation of movement in capital and reserves

for the year ended 31 December 2008

22. Capital and reserves

Reconciliation of movement in capital and reserves

Group

Attributable to equity shareholders

Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
26,325	164	4,654	62,299	93,442
-	-	-	17,249	17,249
-	-	(4,654)	4,654	-
26,325	164	-	84,202	110,691
26,325	164	-	84,202	110,691
-	-	-	(4,215)	(4,215)
26,325	164	-	79,987	106,476

Attributable to equity shareholders

Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
26,325	164	34,963	61,452
-	-	(887)	(887)
26,325	164	34,076	60,565
26,325	164	34,076	60,565
-	-	25,919	25,919
26,325	164	59,995	86,484



Notes to the Financial Statements

for the year ended 31 December 2008

23. Capital and reserves (continued)

Share capital	Ordinary shares	
	2008	2007
Shares in issue		
At 1 January and 31 December	26,325,472	26,325,472

At 31 December 2008, the authorised share capital consisted of 40,000,000 Ordinary Shares of £1 each (2007 - 40,000,000).

24. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- a) credit risk
- b) liquidity risk
- c) market risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and treasury deposits with banks.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a credit policy in place, and the majority of its property leases have provisions for charging interest on late payments by debtors. There is no significant concentration of credit risk. Trade and other receivables are carried in the Balance Sheet at face value less a provision for doubtful debts. The amount provided is estimated by the Directors, based on previous experience and a review of specific receivable balances. Unless there are exceptional circumstances there will be a provision made against any trade receivable which is over 90 days old.

Short term deposits

The Group limits its exposure to credit risk by only investing in the UK main clearing banks and by only investing a maximum of £15 million, whenever possible, at each bank.



Notes to the Financial Statements

for the year ended 31 December 2008

24. Financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying Amount	2008 £'000	2007 £'000
Trade & other receivables	1,394	35,030
Cash & cash equivalents	45,628	34,169
	<u>47,022</u>	<u>69,199</u>

The largest balance within the trade receivables and other receivables carrying amount at 31 December 2008 was £320,000 relating to rents collected by our agent on our behalf. At 31 December 2007 the largest balance within trade receivables was £28,080,000 which was the balance of the sale proceeds due in relation to the disposal of a property.

Impairment losses

The value of amounts past their due date and the impairment provision is immaterial.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the liquidity risk by closely monitoring cash flow requirements and optimising its cash return on investments. The Group will place its funds on deposit for varying periods to ensure funds are always available for unforeseen circumstances. In addition the Group maintains a £5 million unsecured overdraft facility on which interest would be payable at 1% above bank base rate.

The Group financial liabilities at 31 December 2008 and 2007 were:

Carrying Amount	2008 £'000	2007 £'000
Trade & other payables	496	564
Accruals & deferred income	1,414	15,795
Interest bearing loans & borrowings	21	55
	<u>1,931</u>	<u>16,414</u>

Trade payables are payable within 1 month, accruals and deferred income will fall due for payment within 3 to 6 months and the interest and deferred loans are payable as per the schedule in note 20.

c) Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income or the value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.



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24. Financial risk management (continued)

Interest rate risk

At the reporting date the profile of the Group's interest bearing financial assets and liabilities was:

	2008	2007
	£'000	£'000
Fixed rate instruments		
Cash and cash equivalents	45,400	24,309
Interest bearing loans & borrowings	(21)	(28)
	<u>45,379</u>	<u>24,281</u>
Variable rate instruments		
Cash and cash equivalents	228	9,860
Bank overdrafts	-	(27)
	<u>228</u>	<u>9,833</u>

The Group's fixed rate cash and cash equivalents are fixed for terms not exceeding three months. The Group's interest bearing borrowings are set out in Note 20. These all carry interest at fixed rates. The Group's overdraft facility carries interest at a fixed margin over the prevailing base rate.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates over a 12 month period based on the financial instruments included at the reporting date would have increased or decreased equity and profit and loss by the amounts shown below. This analysis assumes all other variables remain constant.

	31 December 2008	31 December 2007
	£'000	£'000
Effect of 100 bps change	<u>+/-3</u>	<u>+/- 98</u>

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Trade & other receivables	1,394	1,394	35,030	35,030
Cash & cash equivalents	45,628	45,628	34,169	34,169
Trade & other payables	496	496	564	564
Accruals and deferred income	1,414	1,414	15,795	15,795
Interest bearing loans & borrowings	<u>21</u>	<u>21</u>	<u>55</u>	<u>55</u>

Estimation of fair values

The assets and liabilities in the table above all have a remaining life of less than one year and the cash and cash equivalents have a maturity of three months or less so the carrying value is deemed to approximate to fair value.



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25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals on land and buildings are payable as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Less than 1 year	80	15	80	15
Between 1 and 2 years	160	-	160	-
	240	15	240	15

26. Contingencies

Group companies give cross guarantees in favour of National Westminster Bank plc to secure all monies from time to time owing to the bank by individual companies in the Group. The Group's accounts with the bank are subject to an offset arrangement. The total overdraft balances within the offset arrangement at 31 December 2008 amounted to £13,129,000 (2007 - £16,186,000).

The Group has indemnified the issuer of certain bonds and guarantees in respect of planning and other obligations incurred by a joint venture. The outstanding amount of the indemnities at 31 December 2008 was £5,084,000 (2007 - £5,250,000).

27. Related parties

The Company has related party transactions with its Directors, its subsidiaries (note 28), joint ventures (note 14), and with its parent company, Clerical Medical Investment Group Limited.

Transactions with Directors

In addition to their salaries, the Group provides non-cash benefits and contributes to defined contribution pension plans for the executive Directors.

	2008	2007
	£'000	£'000
Directors' compensation was as follows:		
Salaries and bonuses	432	655
Short term employee benefits	25	31
Post-employment benefits	36	34
	493	720

The remuneration of the highest paid Director was:

Salaries and bonuses	169	238
Short term employee benefits	22	19
Post-employment benefits	14	14
	205	271

A provision of £311,000 was credited (2007 charged - £1,280,000) to the income statement for estimated amounts due to Directors under a long term incentive plan. The awards under the incentive plan are based on increases in net asset value of the Group, and are payable in cash. These awards may become payable between three and seven years after the date of grant. The first award was made for the scheme year commencing January 2003.



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27. Related parties (continued)

Transactions with subsidiaries

	2008 £'000	2007 £'000
Dividends received from subsidiaries	25,898	-
Movements on intercompany loan accounts (Decrease)/increase in loans with subsidiaries	(1)	85
Net change in intercompany loan balances	(1)	85

28. Investment in subsidiaries

Company	At 1 Jan 2008 £'000	Advances & repayments £'000	At 31 Dec 2008 £'000
Investment in shares			
Cost	35,161	-	35,161
Provisions	(16,480)	-	(16,480)
Net investment in shares	18,681	-	18,681
Loans to subsidiaries			
Amounts advanced	8,000	(8,000)	-
Net loans to subsidiaries	8,000	(8,000)	-
Total investment in subsidiaries	26,681	(8,000)	18,681

Group

Details of the active operating subsidiaries of the Group, all of which are 100% owned, are as follows:

Company	Nature of business
A.L.I.H.(Farms) Limited	Investment property
A.L.I.H.(Property) Limited	Property development
Landmatch Limited	Property development
Landmatch (L.E.A.) Limited	Property development
British Field Products Limited	Farming
Lands Improvement Company	Mortgage finance
Moorfield Management Limited	Property management

All the above companies are incorporated in England, and have a 31 December year end.

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for the year ended 31 December 2008

29. Employee benefits

Defined benefit pension scheme

Background information

During 2007 the business of a subsidiary company, British Field Products Limited, was sold and the staff of the company were all transferred to the purchaser. British Field Products Limited funded a defined benefit pension scheme that provided pension benefits to certain employees on retirement and as part of the disposal arrangement the company purchased a full buy out group annuity from Scottish Equitable thus transferring the full pension liability for the employees to Scottish Equitable.

Defined contribution pension schemes

The Group contributes to a number of executive pension schemes. The total amount of contributions to these schemes charged in the year amounted to £69,000 (2007 - £63,000).

Long term incentive plan

The group operates a long term incentive plan for certain senior executives. Awards are made annually, and may take the form of A or B units. Bonuses for A units are calculated by reference to the increase in the Group's net asset value, and those for B units by reference to increases in net asset value in excess of the net return on 5 year British Government securities. The total amount credited to the Income Statement in the period was £311,000 (2007 charge- £1,328,000). The amounts provided in the Balance Sheet are shown in long term provisions (note 21).

30. Control of the Group

The Company is a wholly owned subsidiary of Clerical Medical Investment Group Limited. At 31 December 2008 the ultimate parent undertaking was HBOS plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group financial statements were drawn up and of which the Company is a member. Copies of the financial statements of HBOS plc for the year ended 31 December 2008 can be obtained from HBOS's registered office at The Mound, Edinburgh EH1 1YZ. From 16 January 2009 the ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group) which is incorporated in Scotland.

31. Accounting estimates and judgements

Investment property valuations

The Group was carrying out infrastructure and construction work on certain investment properties at the year end. In connection with the valuation of these properties, the cost to complete the works is estimated on the basis of previous experience. Any variance in the cost to complete may affect the gain or loss on valuation of the properties in future periods.

The Group carries its investment properties and any options in relation to investment properties at external valuation. These valuations are subject to the many external factors which effect the United Kingdom property market and are therefore, to an extent, outside the control of the company.

32. Post balance sheet events

There were no post balance sheet events.